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Financial reports and audited financial statements, and reports of the Board of Auditors

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly a letter dated 28 June 2001 from the Chairman of the Board of Auditors transmitting the report of the Board on implementation of its recommendations, submitted in accordance with General Assembly resolution 52/212 B of 31 March 1998.

* A/56/50.

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Annex

Letter dated 28 June 2001 from the Chairman of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the report of the Board of Auditors on implementation of its recommendations relating to the biennium 1998-1999, submitted in accordance with paragraph 5 of General Assembly resolution 52/212 B of 31 March 1998 (see appendix).

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission of Audit
and Chairman
United Nations Board of Auditors

Appendix

Report of the Board of Auditors on implementation of its recommendations

I. Introduction

1. The General Assembly in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the General Assembly, subject to the provisions contained in the resolution as noted in paragraph 2 below. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General dated 26 December 1997 (A/52/753), included the following elements:

(a) The need for specification of timetables for implementation of recommendations;

(b) Disclosure of office holders to be held accountable;

(c) Establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be either in the form of a special committee comprising senior officials or through a focal point for audit and oversight matters.

2. In resolution 52/212 B, the General Assembly emphasized that primary managerial responsibility and accountability for the implementation of the recommendations of the Board of Auditors should remain with department heads and programme managers. The Assembly further endorsed the proposals by the Board of Auditors that the format of progress reports on implementation of recommendations should be improved to disclose the title or position of individual officers to be held accountable for implementation of the Board's recommendations (at the level of department head or programme manager, as appropriate) and explanations if recommendations are not implemented in full and on time.

3. The present summary report, updated as of 25 June 2001, which relates to recommendations made in the biennium 1998-1999, covers 15 organizations on which the Board reports on a biennial basis and includes comments by the Board based on the reports of the Secretary-General on the implementation of recommendations by the United Nations and its funds and programmes (A/56/66 and Add.1). The previous report (A/54/159), which related to the biennium 1996-1997, covered 13 organizations, since at that time the Board did not report separately on the two tribunals (International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 and the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994). Those activities for which reports of the Board of Auditors are already submitted annually are not included in the present summary report and are reported on, as before, in an annex to the respective report of the Board of Auditors to the General Assembly (United Nations peacekeeping operations and the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees). The present summary report addresses those recommendations that are under implementation, those that were not implemented, and those that have been overtaken by events and therefore cannot be implemented. The report also includes comments of the Board on the status of implementation of audit recommendations by the United Nations Joint Staff Pension Fund, based on the report that was submitted directly to the Board.

II. General comments by the Board of Auditors

4. The Board examined the extent to which organizations had complied with the provisions of resolution 52/212 B of 31 March 1998 relating to the elements listed in paragraph 1 above as set out below.

1. The need for specification of timetables for implementation of recommendations

5. With reference to the present reporting period, only one of the 15 organizations (the United Nations Joint Staff Pension Fund) did not include timetables for the implementation of majority of recommendations. This compares with 3 out of 13 organizations that did not provide appropriate timetables in relation to the previous period. **The Board recommends that the Pension Fund comply with the requirement to include timetables for the implementation of the Board's recommendations.**

2. Disclosure of office holders to be held accountable

6. With reference to 1998-1999, only one out of 15 organizations (the International Criminal Tribunal for Rwanda) did not provide the Board information on office holders to be held accountable for the implementation of the majority of the recommendations. This compares with 6 out of 13 in respect of the biennium 1996-1997. **The Board recommends that the Tribunal comply with the requirements to identify office holders responsible for implementing recommendations.**

3. Establishment of an effective mechanism to strengthen oversight

7. In general, the organizations had continued to operate effective mechanisms to strengthen oversight in regard to the implementation of audit recommendations, for example, through special committees or by including in the terms of reference of existing committees, a requirement to monitor the implementation of the recommendations of the Board of Auditors.

III. Status of implementation of the recommendations of the Board of Auditors

8. In overall terms, the Board noted that, of the 208 recommendations made in respect of the 15 organizations covered in the present report, 130 recommendations (62 per cent) had been fully implemented, 72 (35 per cent) were under implementation, 1 (1 per cent) had not been implemented and, in the remaining 5 cases (2 per cent), the organizations had not been able to implement the recommendations as they had been overtaken by events. The position regarding the individual organizations is set out in annex I to the present report. The position compared with the biennium 1996-1997 is shown in the table below.

	1996-1997	*1998-1999*
	(percentage)	
Implemented	30	62
Under implementation	64	35
Not implemented	3	1
Overtaken by events	3	2
Total	**100**	**100**

9. The Board was pleased to note that, as shown in annex II to the present report, 12 of the 13 organizations covered in the Board's report for the biennium 1996-1997 showed an increased level of implementation for the biennium 1998-1999. The Board commends in particular six organizations (the United Nations, the United Nations University (UNU), the United Nations Children's Fund (UNICEF), the United Nations Institute for Training and Research (UNITAR), the United Nations International Drug Control Programme (UNDCP) and the United Nations Joint Staff Pension Fund) which have substantially improved their implementation rate compared with the biennium 1996-1997. The Board encourages those organizations that have shown a decreased level of implementation to increase their efforts to ensure timely implementation of recommendations. The Board was also pleased to note that those organizations reporting that they had implemented more than 50 per cent of the Board's recommendations had increased from 2 out of 13 for the biennium 1996-1997 to 13 out of 15 for 1998-1999.

A. United Nations[1]

Recommendations under implementation

10. The Board notes that action is ongoing by the United Nations in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 12 (a)**. The Administration should establish clear guidelines to determine the circumstances under which advances may be made by the Office for the Coordinator of Humanitarian Affairs from the unearmarked Disaster Relief Assistance Fund, the eligibility of recipients, the maximum level of advances and the period of repayment, action should also be taken to recover long outstanding advances.

Comment. Guidelines are expected to be produced in the near future.

(b) **Recommendation in paragraph 12 (c)**. The Administration should implement fully, as a matter of priority, a consolidated database to facilitate the preparation of consolidated financial statements and to reduce the reliance on ad hoc reports; and ensure that all adjustments made in the preparation of the financial statements are approved and supported by an adequate audit trail.

Comment. The Administration is working towards implementing the recommendation, as outlined in the second report of the Secretary-General on the implementation of the recommendations of the Board of Auditors on the accounts of the United Nations for the biennium ended 31 December 1999 (A/56/66). The Board reiterates the importance of an efficient system of consolidation of accounts that will expedite document flow, reduce the documentation, process and provide adequate audit trail.

(c) **Recommendation in paragraph 12 (d)**. The Administration should develop an archiving facility for the Integrated Management Information System (IMIS), as a matter of priority.

Comment. Development of an archiving facility is in the IMIS work plan and preliminary work has been undertaken.

(d) **Recommendation in paragraph 12 (e)**. The Administration should review all outstanding test problem reports and system enhancement requests and draw up a comprehensive plan of action to resolve the underlying issues.

Comment. An initial review has already been undertaken of 500 open items.

(e) **Recommendation in paragraph 12 (l)**. The Administration should draw up a strategy for the management of the United Nations accommodation in Geneva, which should include formal objectives that are specific and measurable.

Comment. A request for proposals is planned for 2001.

(f) **Recommendation in paragraph 12 (m)**. The Administration should establish a system of periodic claims audit at the offices of the insurance companies so that it has some reassurance that the claims are correct and representative of the actual charges for medical care.

Comment. The terms of reference are being finalized for the issuance of requests for proposal to firms of consulting claims auditors.

(g) **Recommendation in paragraph 21**. Certifying officers should ensure that funds are available before approving trust fund expenditures; budget offices should closely monitor trust funds to ensure that expenditures are within approved allotments.

Comment. The Board looks forward to the implementation of IMIS Release 3 at offices away from Headquarters to enable more effective monitoring of funds.

(h) **Recommendation in paragraph 24**. The Office of Programme Planning, Budget and Accounts should review trust funds the purposes of which have long been attained in order to identify and close those that are inactive and no longer required.

Comment. The Board recognizes that the full implementation of this recommendation requires considerable coordination between substantive offices and donors.

(i) **Recommendation in paragraph 41**. The United Nations Fund for International Partnerships (UNFIP) should enforce the requirement for implementing partners to submit quarterly utilization reports within the required 30 days after the end of the quarter.

Comment. The Board notes the importance placed by the Administration on timely quarterly utilization reports and looks forward to the completion of the UNFIP procedural manual and its implementation.

(j) **Recommendation in paragraph 49**. UNFIP should closely monitor submission of the report on the status of project accomplishments by implementing partners.

Comment. UNFIP has reminded implementing partners of the progress reporting requirements and plans to monitor compliance.

(k) **Recommendation in paragraph 53**. UNFIP should include in project reports and documents clear information on planned and actual starting dates and project duration, and modify the periodic financial utilization and progress reports to include an assessment of achievement of the project vis-à-vis targets.

Comment. Agreement with implementing partners on "starting date" of projects has already been reached and UNFIP is in the process of modifying the financial reporting mechanisms.

(l) **Recommendation in paragraph 108**. The Office of Programme Planning, Budget and Accounts, in conjunction with the IMIS project team, should promptly address the problem of high rate of rejection of inter-office vouchers to reduce or eliminate the manual encoding into the IMIS of inter-office transactions from offices away from Headquarters and to obtain the optimum benefit of automation.

Comment. The Board agrees that the implementation of the IMIS Release 3 and the enhancements to the inter-office voucher system should be able to address the rejection problem.

(m) **Recommendation in paragraph 111**. The IMIS project team should take action to improve the design of interim reporting on unpaid assessed contributions during the second year of the biennium.

Comment. The Board noted that an additional validation control would be implemented in due course.

(n) **Recommendation in paragraph 276**. The Administration should issue instructions to all departments to input planned work-months into the Integrated Monitoring and Documentation and Information System (IMDIS) to enable management to monitor performance against the planned work schedules.

Comment. The Board noted that the issue is under discussion.

Recommendation overtaken by events

(o) **Recommendation in paragraph 12 (n)**. The Administration should conduct jointly with the newsstand contractor an inventory on the stock of the United Nations newsstand at the earliest opportunity.

Comment. The Board notes the efforts of the Administration to advise the contractor of the requirement for stock inventory before the expiration of the contract on 31 December 2000, which was not responded to by the contractor; and notes the Administration's position on the absence of the United Nations direct interest in the inventory overages or shortages.

B. International Trade Centre UNCTAD/WTO[2]

Recommendations under implementation

11. The Board notes that action is ongoing by the International Trade Centre (ITC) in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 11 (a)**. ITC should ensure that the liabilities for end-of-service benefits, post-retirement benefits and annual leave are disclosed in the financial statements for the biennium 2000-2001.

Comment. The Board notes the ITC liaison with the United Nations Accounts Division on this subject and its commitment to reflecting this requirement in its financial statements for 2000-2001.

(b) **Recommendation in paragraph 11 (c)**. ITC should liaise closely with the United Nations Office at Geneva to ensure that the IMIS module required to address the Centre's specific reporting requirements is developed and implemented as soon as possible.

Comment. The Board notes the commitment of ITC to moving to the IMIS system as soon as practicable and concurs with ITC actions to ensure that the system fully complies with specific requirements prior to implementation.

(c) **Recommendation in paragraph 11 (e)**. ITC should take concerted action to ensure that the Corporate Management Information System is kept up

to date so that it can be used as an effective management tool in the biennium 2000-2001.

Comment. Detailed guidelines are planned to be issued for data maintenance.

(d) **Recommendation in paragraph 48**. To minimize the need for remedial measures in the future, ITC should undertake more extensive country-specific, risk analysis before projects begin.

Comment. The Board notes the commitment of ITC to implementation of this recommendation for future Joint Integrated Technical Assistance Programme type projects.

C. United Nations University[3]

Recommendation under implementation

12. **Recommendation in paragraph 10 (f)**. The United Nations University should adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000, as well as for purchases in excess of $25,000.

Comment. The Board notes that the University has reviewed the issue and plans to discuss it with the United Nations Secretariat.

D. United Nations Development Programme[4]

Recommendations under implementation

13. The Board notes that action is ongoing by the United Nations Development Programme (UNDP) in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 10 (a)**. UNDP should ensure regular follow-up on all outstanding audit reports, and concentrate its efforts on those countries where it has the greatest levels of national execution.

Comment. The Board encourages UNDP to continue with its efforts to improve on controls ensuring accountability, particularly following up on outstanding audit reports.

(b) **Recommendation in paragraph 10 (c)**. UNDP should prioritize activities and devise measurable indicators and milestones to allow systematic monitoring of progress in projects, such as UNDP 2001.

Comment. The Board is pleased to note the efforts taken by UNDP to establish a business plan monitoring system which provides for measurable indicators and milestones and will continue to monitor developments in this regard.

(c) **Recommendation in paragraph 10 (d)**. UNDP should cost all the proposed activities and estimate the total cost of the initiative at the planning stage of future projects, such as UNDP 2001.

Comment. See comment at subparagraph (b) above.

(d) **Recommendation in paragraph 10 (e)**. UNDP should require project managers to collect and report all available costs and central programme managers should include such information in regular status reports in future projects, such as UNDP 2001.

Comment. See comment at subparagraph (b) above.

(e) **Recommendation in paragraph 10 (g)**. UNDP should require all country offices to investigate the possibilities of agreeing common service contracts with other United Nations organizations, as a method of offering potential cash savings and administrative efficiencies.

Comment. UNDP plans to work actively with the inter-agency working group on the implementation and management of common services contracts.

(f) **Recommendation in paragraph 10 (j)**. UNDP should develop a more formal system for monitoring supplier performance.

Comment. UNDP has informed the Board that it will formalize its monitoring practices to capture information on supplier performance.

(g) **Recommendation in paragraph 10 (k)**. UNDP should undertake a cost-benefit analysis to assess the savings likely to accrue from the development of a green procurement policy.

Comment. UNDP plans to undertake a cost-benefit analysis on the development of a green procurement policy.

(h) **Recommendation in paragraph 10 (l)**. UNDP should follow up the recommendations made in the 1998 report on energy use and environmental impacts with respect to the FF and DC-1 buildings.

Comment. The issues are being addressed in retrofit projects planned for both buildings.

(i) **Recommendation in paragraph 10 (m)**. UNDP should introduce improved monitoring of paper use across divisions and set a target for a reduction in paper use and set standards for printer and copier use, for example, ensuring that all machines default to double-sided printing.

Comment. The action plan has been drawn up and is in the process of being implemented.

(j) **Recommendation in paragraph 10 (q)**. Project plans should be prepared only on the basis of committed funding.

Comment. UNDP plans to monitor project budgets to ensure that financial rule 111.01 (d) is applied.

(k) **Recommendation in paragraph 10 (r)**. UNDP should ensure that all projects contain quantified and measurable performance indicators or targets, and measure the progress of a project against those criteria, and ensure that country offices carry out regular monitoring and evaluation in line with UNDP guidelines.

Comment. UNDP expects the development and promulgation of new programming instruments to address this recommendation in 2001.

(l) **Recommendation in paragraph 10 (s)**. UNDP should require the Office of Audit and Performance Review to ensure that each member of the staff receives sufficient training to ensure that the organization retains its technical competency.

Comment. The Office is in the process of developing long-term learning, training and development plans for each staff member.

(m) **Recommendation in paragraph 10 (u)**. The Office of Audit and Performance Review should be required to document the key systems and controls and keep the information on file permanently to facilitate subsequent audits.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

(n) **Recommendation in paragraph 41**. UNDP should require resident representatives to certify the accuracy of the annual country office inventory returns and monitor returns to ensure that all are received; review the headquarters inventory and ensure that it provides realistic valuations for all equipment; and intensify its effort to develop a suitable inventory control system.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

(o) **Recommendation in paragraph 42**. UNDP should complete the review of advances to Governments and write off all necessary amounts.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

(p) **Recommendation in paragraph 97**. UNDP should benchmark its performance in the time taken to let contracts, establish timetables for each element of the procurement process and monitor performance against them.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

(q) **Recommendation in paragraph 174**. The Office of Audit and Performance Review should ensure a greater coverage of the Europe and Commonwealth of Independent States region during the biennium 2000-2001, especially given the growth in number of those country offices in recent years.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

(r) **Recommendation in paragraph 177**. The Office of Audit and Performance Review should conduct formal, independent reviews to determine how effectively management is implementing the control self-assessment action plans.

Comment. The Board welcomes the initiatives taken by the Office for Audit Performance Review in assessing the implementation of the control self-

assessment action plans and will continue to monitor further developments.

(s) **Recommendation in paragraph 186**. The Office for Audit Performance Review should develop a system to properly identify the full cost of each output.

Comment. The UNDP Office for Audit Performance Review informed the Board that it has developed a concept paper to consider alternate cost models, one of which will be implemented. While the Board welcomes such initiatives, it remains concerned by UNDP comments that resources may be reduced for service delivery and encourages UNDP to manage implementation of costing module in a manner that has the minimal effect on service delivery.

Recommendations overtaken by events

(t) **Recommendation in paragraph 10 (i)**. UNDP should establish a database of potential suppliers.

Comment. UNDP has informed the Board that it may not be cost-effective for it to establish its own separate database since it makes use, where possible, of supplier rosters maintained by the United Nations.

(u) **Recommendation in paragraph 10 (n)**. UNDP should ensure that, at country offices, executing agencies provide quarterly reports on the progress of projects and take prompt corrective action when projects fall behind schedule.

Comment. UNDP has informed the Board that it may not be efficient to change the current practice of executing agencies providing annual reports on the progress of projects.

(v) **Recommendation in paragraph 79**. All country offices should complete job descriptions and competency statements for all posts and use them to develop appropriate training plans for staff.

Comment. UNDP informed the Board that phase II of the reduction exercise and restructuring of country offices will impact on the organization of the office and will require redesign of job description with competency statements and relevant training.

E. United Nations Children's Fund[5]

Recommendations under implementation

14. The Board notes that action is ongoing by UNICEF in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 12 (b)**. UNICEF should revise the mandate of the Office of Internal Audit to reflect the annual reporting to the Executive Board.

Comment. The Administration has indicated that the mandate is due to be revised in 2001.

(b) **Recommendation in paragraph 12 (d)**. UNICEF should take expeditious action to extend the database tracking system to all regional offices and headquarters divisions to enhance the capacity for monitoring internal audit recommendations.

Comment. The Administration has indicated that it is on course to roll out access by 31 December 2001.

(c) **Recommendation in paragraph 12 (e)**. The Americas and the Caribbean Regional Office should ensure that the integrated monitoring and evaluation plan is implemented in the remaining 23 country offices in order to enhance monitoring and evaluation of programmes in the region.

Comment. The Board notes that the regional workshops are scheduled to be held in July 2001 and that all countries are due to implement the Plan by 31 December 2001.

(d) **Recommendation in paragraph 19**. UNICEF should further improve its working capital management in order to attain the accepted standard and disclose separately convertible cash balances of general resources and supplementary funds in the notes to the financial statements to facilitate the determination of its liquidity position in accordance with UNICEF policy.

Comment. The Administration has indicated that it is on course for full implementation in the accounts for the biennium 2000-2001.

(e) **Recommendation in paragraph 57**. UNICEF should consider external representation from another United Nations organization on its Internal Audit Committee.

Comment. The Administration has indicated that it is awaiting the results of the quality assurance review, which is due in late 2001.

F. United Nations Relief and Works Agency for Palestine Refugees in the Near East[6]

Recommendations under implementation

15. The Board notes that action is ongoing by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 10 (c)**. UNRWA should strengthen its efforts to recover the outstanding tax reimbursements of $23.72 million (gross $24.58 million) and make further appeals to the two governments to accept the tax-exempt status of the Agency.

Comment. UNRWA informed the Board that its efforts to recover reimbursements of value-added tax have been unsuccessful and that it is now attempting to effect reimbursement through donors to the Member State concerned. The Board remains concerned about the material amounts outstanding and will keep this matter under review.

(b) **Recommendation in paragraph 10 (d)**. UNRWA should recover all overpayments relating to extended monthly evacuation allowances and education grants.

Comment. Out of the initial 14 cases, 9 have been fully settled, 2 are under appeal and 2 are being pursued by the Legal Office.

(c) **Recommendation in paragraph 10 (e)**. The Agency should review the various administrative instructions relating to extended monthly evacuation allowances and education grants to remove ambiguities in their interpretation and application.

Comment. UNRWA informed the Board that instructions on evacuation allowances have been reviewed and is being circulated prior to being presented for senior management approval. In addition, UNRWA believes that international personnel directive No. I/103.9/Rev.8, issued on 23 August 2000, has improved the interpretation and implementation of the education grant scheme. The Board will assess the impact of the review of the various administrative instructions in its next audits.

(d) **Recommendation in paragraph 10 (f)**. UNRWA should develop and implement a computerized asset management system in order to better manage and control its non-expendable property items.

Comment. The Board notes that UNRWA expects to complete its evaluation of computerized asset management systems on the market by January 2002, subsequent to the end of the biennium. The Board encourages UNRWA to ensure that the existing asset management systems are complete and accurate in order to ensure that non-expendable equipment is properly disclosed in the financial statements ending 31 December 2001.

(e) **Recommendation in paragraph 34**. The Agency should develop specific generic performance indicators as a basis for assessing programme performance.

Comment. UNRWA informed the Board that the process of developing key performance indicators commenced in October 2000 and is expected to be completed by January 2002. The Board is pleased to note the progress made by UNRWA and encourages it to expedite completion of the project.

(f) **Recommendation in paragraph 10 (b)**. UNRWA should recover the $24.2 million outstanding from donors and reimburse the regular budget funds.

Comment. The Board is pleased to note that UNRWA has made progress in recovering outstanding donor pledges. However, the Board remains concerned in respect of the outstanding amount of some $16.8 million and encourages UNRWA to continue with its efforts to resolve this matter.

G. United Nations Institute for Training and Research[7]

Recommendations under implementation

16. The Board notes that action is ongoing by the Institute in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 10 (a)**. UNITAR should disclose in the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave.

Comment. The Board understands that the United Nations Office at Geneva and UNITAR are in the process of reconciling records of non-expendable property. It will review the disclosures at the end of the biennium to ensure conformity with United Nations accounting standards and financial rules.

(b) **Recommendation in paragraph 22**. The Institute should appraise the recoverability of the remaining deficit balances and write off any amounts that are not recoverable.

Comment. In May 2001, UNITAR proposed the write-off or collection of two of the three balances and is discussing the third amount with the United Nations Office at Geneva.

(c) **Recommendation in paragraph 28**. UNITAR should obtain from UNDP supporting documentation for the outstanding inter-office vouchers, in the absence of which the Institute should agree with UNDP how the amounts concerned should be cleared.

Comment. Through the United Nations Office at Geneva, the Institute has formally requested UNDP to write off the outstanding balance against closed projects and is expecting a positive reply.

H. United Nations Environment Programme[8]

Recommendations under implementation

17. The Board notes that action is ongoing by the United Nations Environment Programme (UNEP) in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 12 (c)**. The Administration should review all inactive projects and take steps to obtain the required documents to make possible the timely closure of all completed projects. Further, UNEP should determine causes of the factors that prevented the timely closure of the projects.

Comment. The Board notes the efforts of the Administration to effect the closure of 142 projects in 2000 and an additional 92 projects as of 15 June 2001.

(b) **Recommendation in paragraph 12 (d)**. The Administration should provide the United Nations Office at Nairobi with the information needed to maintain a central roster of consultants, which should be used as the basis for their selection.

Comment. UNEP informed the Board that the Human Resources Management Services at the United Nations Office at Nairobi has initiated action toward the establishment of a central roster of consultants, in conjunction with the various sub-rosters being maintained, in harmonization with the United Nations Centre for Human Settlements (Habitat) roster. The Board will monitor the effectiveness of the alternative sub-rosters maintained by UNEP until resources become available to fully implement the recommendation.

(c) **Recommendation in paragraph 12 (e)**. UNEP should ensure that terms of reference of consultants include performance indicators to assess or evaluate results.

Comment. A joint UNEP/Habitat/United Nations Office at Nairobi working group has already prepared the guidelines for the recruitment of consultants and is still awaiting comments from the offices concerned.

I. United Nations Population Fund[9]

Recommendation under implementation

18. The Board notes that action is ongoing by the United Nations Population Fund (UNFPA) in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 11 (f)**. UNFPA should strengthen the management and monitoring of its projects at the design phase by incorporating baseline information; qualitative and quantitative performance indicators and an explanation of how the executing agency will collect performance data in the course of projects.

Comment. UNFPA is in the process of developing programme and monitoring tools to aid country office staff in programme management. The

Board will continue to review this matter in future audits.

(b) **Recommendation in paragraph 11 (k)**. UNFPA should make every effort to recover the overpayment of up to $1.8 million from the contractors once the final value of the work done has been verified.

Comment. UNFPA is still in the process of verifying the amount of overpayment. Due process in disciplinary proceedings has been completed against all but one involved staff.

(c) **Recommendation in paragraph 15**. UNFPA should arrange for an actuarial valuation and disclose in the financial statements the value and basis of valuation for end-of-service benefits and post-retirement benefits.

Comment. UNFPA is in the process of examining the implications of data collection and plans to disclose the information in a note to the financial statements for the biennium 2000-2001.

(d) **Recommendation in paragraph 17**. UNFPA should ensure that the value of all non-expendable equipment is disclosed in the notes to the financial statements; and that it further encourages executing agencies to provide annual reports on non-expendable property held.

Comment. UNFPA informed the Board that it would review the best way for executing agencies to provide reports on non-expendable equipment. The Fund is also reviewing its own presentation of non-expendable equipment in the financial statements. The Board is of the opinion that UNFPA is accountable for non-expendable equipment and the disclosure thereof and encourages it to take steps to effectively discharge such responsibilities.

(e) **Recommendation in paragraph 33**. Given the fact that the advance for the UNFPA share of construction costs of common premises has remained outstanding for six years, UNFPA should take action to bring the matter to a conclusion.

Comment. UNFPA is engaged in active negotiations with the partners concerned.

(f) **Recommendation in paragraph 59**. UNFPA should ensure that agencies submit final project reports or suitable alternatives.

Comment. UNFPA informed the Board that it is strictly committed to enforcing the programme guidelines, which require final project reports. The Board will continue to review the matter in future audits.

(g) **Recommendation in paragraph 9 (a) of the annex**. UNFPA should show the value of contributions in kind in a note to the financial statements.

Comment. UNFPA intended to disclose the value of contributions in kind in a note to the financial statements for the 1998-1999 biennium but, due to complexities in data collecting, could not do so. The Board encourages UNFPA to disclose the information in the financial statements for the biennium 2000-2001.

J. United Nations Habitat and Human Settlements Foundation[10]

Recommendation under implementation

19. **Recommendation in paragraph 11 (d)**. The Administration should update the roster of consultants to facilitate inclusion in the computerized central roster being developed by the United Nations Office at Nairobi.

Comment. The Board notes that discussions are under way with the United Nations Office at Nairobi to make the United Nations Centre for Human Settlements (Habitat) roster more compatible with the roster used by the United Nations Office at Nairobi.

K. Fund of the United Nations International Drug Control Programme[11]

Recommendations under implementation

20. The Board notes that action is ongoing by UNDCP in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 11 (a)**. UNDCP should disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave, in compliance with United Nations accounting standards.

Comment. UNDCP has agreed to quantify its contingent liabilities for inclusion in the financial statements for the biennium 2000-2001.

(b) **Recommendation in paragraph 11 (b)**. The Programme should strengthen its efforts to encourage UNDP to secure the necessary audit reports for nationally executed projects and, where appropriate, to extend the arrangements whereby nationally executed projects are audited by local accountancy firms.

Comment. UNDCP has been liaising closely with UNDP to implement this recommendation.

(c) **Recommendation in paragraph 11 (c)**. UNDCP should follow up, in liaison with UNDP, all audit reports outstanding in respect of the bienniums 1996-1997 and 1998-1999.

Comment. UNDCP informed the Board that for the biennium 1998-1999, it has obtained audit certificates for $16.9 million (92 per cent) of the expenditures for nationally executed projects, while for 2000, as at 20 June 2001, it has obtained certificates covering $11.3 million (59 per cent) of the $19.2 million reported expenditures.

Overtaken by events

(d) **Recommendation in paragraph 11 (e)**. UNDCP should assist those Governments without national drug master plans, or their equivalent, to produce plans as soon as possible to identify and prioritize specific drug-related problems and to establish a course of action at government level to address them.

Comment. UNDCP has concluded that the six countries referred to have adequate alternative plans.

L. United Nations Office for Project Services[12]

Recommendation under implementation

21. **Recommendation in paragraph 10 (a)**. The United Nations Office for Project Services (UNOPS) should prepare a full inventory of its non-expendable equipment, both at headquarters and at its regional offices, with a view to providing an historic cost for its non-expendable equipment in the financial statements for the biennium 2000-2001.

Comment. UNOPS is in the process of preparing a full inventory of its non-expendable property.

M. International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[13]

Recommendations under implementation

22. The Board notes that action is ongoing by the International Criminal Tribunal for Rwanda in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 11 (d)**. The Tribunal should keep relevant registration information on vendors and regularly carry out the required periodic evaluation of the performance of suppliers.

Comment. The Tribunal expects to fully implement this recommendation during the biennium 2000-2001.

(b) **Recommendation in paragraph 11 (e)**. The Tribunal should enforce the terms of the contract for travel agent services and take steps to recover all amounts due from the travel agent.

Comment. The Tribunal plans to fully implement this recommendation.

(c) **Recommendation in paragraph 39**. The Tribunal should take action to recover the appropriate cleaning and maintenance cost from the lessor and request a reduction in the rent payable.

Comment. The Tribunal is still seeking clarification on contractual matters with the service provider. The Board encourages the Tribunal to expedite finalization of outstanding matters with the contractors.

N. International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991[14]

23. All recommendations have been implemented.

O. United Nations Joint Staff Pension Fund[15]

Recommendations under implementation

24. The Board notes that action is ongoing by the Pension Fund in respect of the following recommendations. The Board has included comments, where appropriate.

(a) **Recommendation in paragraph 10 (b)**. The Pension Fund should upgrade or replace the Investment Control and Accounting System as a matter of urgency to ensure proper accounting for the investments and income earned.

Comment. The Pension Fund indicated that a temporary system is currently in operation and a more permanent one is being actively considered.

(b) **Recommendation in paragraph 38**. The management of the Investment Management Service should expedite action in formalizing the evaluation criteria of the performance for advisory and custody services.

Comment. The Pension Fund indicated that evaluation criteria for assessing the performance of the providers of investment advisory services have been in place for one year. The criteria with regard to assessing the Board's custodians are currently being formulated.

Recommendation not implemented

25. **Recommendation in paragraph 10 (a)**. The Pension Fund should include a penalty clause in future agreements with the Master Record Keeper to ensure timely delivery of the relevant accounting and financial reports.

Comment. The Pension Fund considers that a penalty clause for a Master Record Keeper is not consistent with normal investment industry practice and qualification of a possible penalty clause would be different and complicated since delays in submitting reports do not involve any potential monetary losses.

IV. Acknowledgement

26. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Secretary-General, the executive heads of United Nations funds and programmes and the Chief Executive Officer of the United Nations Joint Staff Pension Fund, their officers and staff.

(*Signed*) Guillermo N. **Carague**
Chairman, Commission on Audit
Philippines

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(*Signed*) Shauket A. **Fakie**
Auditor-General
Republic of South Africa

Notes

[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. I.

[2] Ibid., *Supplement No. 5* (A/55/5), vol. III, chap. II.

[3] Ibid., *Supplement No. 5* (A/55/5), vol. IV, chap. II.

[4] Ibid., *Supplement No. 5A* (A/55/5/Add.1), chap. II.

[5] Ibid., *Supplement No. 5B* (A/55/5/Add.2), chap. II.

[6] Ibid., *Supplement No. 5C* (A/55/5/Add.3), chap. II.

[7] Ibid., *Supplement No. 5D* (A/55/5/Add.4), chap. II.

[8] Ibid., *Supplement No. 5F* (A/55/5/Add.6), chap. II.

[9] Ibid., *Supplement No. 5G* (A/55/5/Add.7), chap. II.

[10] Ibid., *Supplement No. 5H* (A/55/5/Add.8), chap. II.

[11] Ibid., *Supplement No. 5I* (A/55/5/Add.9), chap. II.

[12] Ibid., *Supplement No. 5J* (A/55/5/Add.10), chap. II.

[13] Ibid., *Supplement No. 5K* (A/55/5/Add.11), chap. II.

[14] Ibid., *Supplement No. 5L* (A/55/5/Add.12), chap. II.

[15] Ibid., *Supplement No. 9* (A/55/9), annex III.

Annex I

Status of implementation of recommendations of the Board of Auditors

Organization	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*		*Total*
United Nations	21	58%	14	39%	-	-	1	3%	36
ITC	5	56%	4	44%	-	-	-	-	9
UNU	5	83%	1	17%	-	-	-	-	6
UNDP	24	52%	19	41%	-	-	3	7%	46
UNICEF	7	58%	5	42%	-	-	-	-	12
UNRWA	5	45%	6	55%	-	-	-	-	11
UNITAR	8	73%	3	27%	-	-	-	-	11
UNEP	2	40%	3	60%	-	-	-	-	5
UNFPA	13	65%	7	35%	-	-	-	-	20
UNHHSF	3	75%	1	25%	-	-	-	-	4
UNDCP	10	71%	3	21%	-	-	1	7%	14
UNOPS	12	92%	1	8%	-	-	-	-	13
ICTY	3	100%	-	-	-	-	-	-	3
ICTR	5	63%	3	37%	-	-	-	-	8
UNJSPF	7	70%	2	20%	1	10%	-	-	10
Total	**130**	**62%**	**72**	**35%**	**1**	**1%**	**5**	**2%**	**208**

Note: Percentages may not add up to exactly 100 per cent, owing to rounding off.

Annex II

Comparative analysis of rates of implementation of the Board of Auditors recommendations for the biennium 1996-1997 and biennium 1998-1999

	Implemented		*Under implementation*		*Not implemented*		*Overtaken by events*	
Organization	*1996-1997*	*1998-1999*	*1996-1997*	*1998-1999*	*1996-1997*	*1998-1999*	*1996-1997*	*1998-1999*
United Nations	20%	58%	80%	39%	-	-	-	3%
ITC	40%	56%	40%	44%	20%	-	-	-
UNU	-	83%	67%	17%	17%	-	17%	-
UNDP	33%	52%	62%	41%	5%	-	-	7%
UNICEF	9%	58%	73%	42%	-	-	18%	-
UNRWA	23%	45%	77%	55%	-	-	-	-
UNITAR	33%	73%	67%	27%	-	-	-	-
UNEP	33%	40%	56%	60%	-	-	11%	-
UNFPA	44%	65%	56%	35%	-	-	-	-
UNHHSF	78%	75%	22%	25%	-	-	-	-
UNDCP	13%	71%	87%	21%	-	-	-	7%
UNOPS	70%	92%	30%	8%	-	-	-	-
ICTY	n.a.	100%	n.a.	-	n.a.	-	n.a.	-
ICTR	n.a.	63%	n.a.	37%	n.a.	-	n.a.	-
UNJSPF	-	70%	100%	20%	-	10%	-	-
Total	**30%**	**62%**	**64%**	**35%**	**3%**	**1%**	**3%**	**2%**

Note: Percentages may not add up to exactly 100 per cent, owing to rounding off.